

Regulation on Terminology, Forms, and Preparation Methods of Quarterly Financial Statements

(Cabinet Office Order No. 63 of August 10, 2007)

Pursuant to the provisions of Article 193 of the Financial Instruments and Exchange Act (Act No. 25 of 1948), and for the purpose of enforcement of that Act, the Regulation on Terminology, Forms, and Preparation Methods of Quarterly Financial Statements is enacted as follows.

Chapter I General Provisions (Articles 1 to 24)

Chapter II Quarterly Balance Sheet

Section 1 General Provisions (Articles 25 to 27)

Section 2 Assets (Articles 28 to 41)

Section 3 Liabilities (Articles 42 to 47)

Section 4 Net Assets (Articles 48 to 52)

Section 5 Miscellaneous Provisions (Articles 53 to 55)

Chapter III Quarterly Profit and Loss Statement

Section 1 General Provisions (Articles 56 and 57)

Section 2 Net Sales and Cost of Sales (Articles 58 to 60)

Section 3 Selling Expenses and General and Administrative Expenses
(Articles 61 and 62)

Section 4 Non-Operating Revenues and Non-Operating Expenses (Articles 63
to 65)

Section 5 Extraordinary Profit and Extraordinary Loss (Articles 66 to 68)

Section 6 Quarterly Net Profit or Quarterly Net Loss (Articles 69 to 70-2)

Section 7 Miscellaneous Provisions (Articles 71 to 73)

Chapter IV Quarterly Cash Flow Statement

Section 1 General Provisions (Articles 74 and 75)

Section 2 Methods for Presenting Quarterly Cash Flow Statements (Articles
76 and 77)

Chapter V Notes on Shareholders' Equity (Articles 78 to 82)

Chapter VI Quarterly Financial Statements of Specified Companies Complying
with Designated International Accounting Standards (Articles 83 and 84)

Chapter VII Quarterly Financial Documents of Foreign Companies (Articles 85
to 89)

Supplementary Provisions

Chapter I General Provisions

(General Principles for Application)

- Article 1 (1) From among finance and accounting documents (hereinafter referred to as "financial documents") to be submitted pursuant to the provisions of Article 5, Article 7, paragraph (1), Article 9, paragraph (1), Article 10, paragraph (1), Article 24-4-7, paragraph (1) or (2) of the Financial Instruments and Exchange Act (hereinafter referred to as the "Act") (including the cases where any of these provisions are applied mutatis mutandis pursuant to paragraph (4) of that Article and cases where these provisions are applied mutatis mutandis, pursuant to Article 27 of the Act, to a corporation which has been designated by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 1, paragraph (1) of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Order of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the "Regulation on Financial Statements") (the relevant corporation is hereinafter referred to as a "designated corporation")), the terminology, forms, and preparation methods of quarterly financial statements (meaning quarterly balance sheets, quarterly profit and loss statements, and quarterly cash flow statements or, if they are prepared pursuant to Designated International Accounting Standards (meaning Designated International Accounting Standards prescribed in Article 93 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Order of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the "Regulation on Consolidated Financial Statements")); the same applies hereinafter) pursuant to the provisions of Article 83, paragraph (2), equivalents to quarterly balance sheets, quarterly profit and loss statements and quarterly cash flow statements and statements of changes in equity of which preparation is required pursuant to Designated International Accounting Standards; the same applies hereinafter) are to be governed by the provisions of this Chapter to Chapter VI, excluding Article 2, and any matters that are not provided for under this Regulation are to be in accordance with business accounting standards that are generally accepted as fair and appropriate.
- (2) Business accounting standards published by the Business Accounting Council prescribed in Article 24, paragraph (1) of the Cabinet Order for Organization of the Financial Services Agency (Cabinet Order No. 392 of 1998) are to be regarded as the business accounting standards that are generally accepted as fair and appropriate prescribed in the preceding paragraph.
- (3) Business accounting standards specified by the Commissioner of the Financial Services Agency prescribed in Article 1, paragraph (3) of the Regulation on Financial Statements are to be regarded as the business accounting standards that are generally accepted as fair and appropriate prescribed in paragraph (1).

(Special Provisions for Application)

Article 1-2 The terminology, forms, and preparation methods of quarterly financial statements that a stock company which satisfies all of the following requirements among the issuers (meaning issuers prescribed in Article 2, paragraph (5) of the Act) of securities set forth in Article 2, paragraph (1), item (v) or (ix) of the Act (hereinafter referred to as a "specified company complying with designated international accounting standards") submits may be in accordance with the provisions of Chapter VI:

(i) that it should satisfy either of the following requirements:

(a) that in the securities registration statement submitted pursuant to the provisions of Article 5, paragraph (1) of the Act (limited to cases in which financial statements for the business year immediately preceding the business year containing the current quarterly accounting period (hereinafter referred to as "previous business year") are stated) or the annual securities report submitted pursuant to the provisions of Article 24, paragraph (1) or (3) of the Act (limited to cases in which financial statements for the previous business year are stated), it should give a statement pertaining to special efforts for ensuring appropriateness of financial statements;

(b) that in the securities registration statement to be submitted pursuant to the provisions of Article 5, paragraph (1) of the Act or the quarterly securities report to be submitted pursuant to the provisions of Article 24-4-7, paragraph (1) or (2) of the Act, it should give a statement pertaining to special efforts for ensuring appropriateness of quarterly financial statements;

(ii) that it should have officers or employees who have sufficient knowledge of Designated International Accounting Standards and have established a system under which quarterly financial statements can be prepared in an appropriate manner under the Designated International Accounting Standards.

(Special Provisions for Foreign Companies)

Article 2 From among the financial documents to be submitted by a foreign company (meaning the foreign company defined in Article 1-3 of the Regulation on Financial Statements; the same applies in Chapter VII), the terminology, forms, and preparation methods of quarterly financial documents are to be governed by the provisions of that Chapter.

(Definitions)

Article 3 In this Regulation, the meanings of the terms set forth in the following

items are as prescribed respectively in those items:

- (i) company submitting quarterly financial statements: a company (including a designated corporation) which is to submit quarterly financial statements pursuant to the provisions of Article 24-4-7, paragraph (1) of the Act (including the cases where it is applied mutatis mutandis pursuant to Article 27 of the Act) and a company (including a designated corporation) which is to submit quarterly financial statements pursuant to the provisions of Article 24-4-7, paragraph (2) of the Act (including the cases where it is applied mutatis mutandis pursuant to Article 27 of the Act);
- (ii) financial statements: the financial statements defined in Article 1, paragraph (1) of the Regulation on Financial Statements;
- (iii) quarterly consolidated financial statements: the quarterly consolidated financial statements defined in Article 1, paragraph (1) of the Regulation on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No. 64 of 2007);
- (iv) quarterly accounting period: when a business year exceeds three months, each three-month period within the business year (excluding the last period of those periods);
- (v) quarterly consolidated accounting period: when a consolidated fiscal year exceeds three months, each three-month period within the consolidated fiscal year (excluding the last period of those periods);
- (vi) cumulative quarterly accounting period: the period from the day of commencement of a business year to the last day of a quarterly accounting period;
- (vii) cumulative quarterly consolidated accounting period: the period from the day of commencement of a consolidated fiscal year to the last day of a quarterly consolidated accounting period;
- (viii) cash flow: any increase or decrease in the funds defined in the following item;
- (ix) funds: the combined total of cash (including any current deposits, ordinary deposits, and other deposits which the depositor is able to withdraw without waiting for a certain period to elapse; the same applies in Articles 75 and 77) and cash equivalents (meaning short-term investments which can be easily converted into cash and which involve low risk of fluctuations in value; the same applies in Articles 75 and 77);
- (x) derivative transactions: the transactions defined in Article 8, paragraph (14) of the Regulation on Financial Statements;
- (xi) trading securities: the securities defined in Article 8, paragraph (20) of the Regulation on Financial Statements;
- (xii) bonds held to maturity: the bonds defined in Article 8, paragraph (21) of the Regulation on Financial Statements;

- (xiii) other securities: the securities defined in Article 8, paragraph (22) of the Regulation on Financial Statements;
- (xiv) treasury shares: shares of a company submitting quarterly financial statements held by the company submitting quarterly financial statements itself;
- (xviii) business combination: the business combination defined in Article 8, paragraph (27) of the Regulation on Financial Statements;
- (xix) acquiring enterprise: the enterprise defined in Article 8, paragraph (28) of the Regulation on Financial Statements;
- (xx) acquired enterprise: the enterprise defined in Article 8, paragraph (29) of the Regulation on Financial Statements;
- (xxi) combiner: the enterprise defined in Article 8, paragraph (31) of the Regulation on Financial Statements;
- (xxii) combinee: the enterprise defined in Article 8, paragraph (32) of the Regulation on Financial Statements;
- (xxiii) combined enterprise: the enterprise defined in Article 8, paragraph (33) of the Regulation on Financial Statements;
- (xxiv) constituent enterprise: the enterprise defined in Article 8, paragraph (34) of the Regulation on Financial Statements;
- (xxv) purchase method: the method defined in Article 8, paragraph (35) of the Regulation on Financial Statements;
- (xxvi) reverse acquisition: the reverse acquisition defined in Article 8, paragraph (36) of the Regulation on Financial Statements;
- (xxvii) common control transaction, etc.: the common control transaction, etc. defined in Article 8, paragraph (37) of the Regulation on Financial Statements;
- (xxviii) business divestiture: the business divestiture defined in Article 8, paragraph (38) of the Regulation on Financial Statements;
- (xxix) divesting enterprise: the enterprise defined in Article 8, paragraph (39) of the Regulation on Financial Statements;
- (xxx) divested enterprise: the enterprise defined in Article 8, paragraph (40) of the Regulation on Financial Statements;
- (xxxi) financial instruments: the financial instruments defined in Article 8, paragraph (41) of the Regulation on Financial Statements;
- (xxxii) asset retirement obligations: the asset retirement obligations defined in Article 8, paragraph (42) of the Regulation on Financial Statements;
- (xxxiii) accounting policies: the accounting principles and procedures adopted for the preparation of quarterly financial statements;
- (xxxiv) presentation method: the presentation method adopted for the preparation of quarterly financial statements;
- (xxxv) accounting estimates: amounts of assets, liabilities, revenues, expenses,

- etc. that are reasonably calculated based on the information available at the time of the preparation of quarterly financial statements when those amounts are uncertain;
- (xxxvi) changes in accounting policies: changes in accounting policies that are generally accepted as fair and appropriate to other accounting policies that are generally accepted as fair and appropriate;
- (xxxvii) changes in accounting estimates: changes in accounting estimates that had been made for the preparation of financial statements for the previous business year or any prior business year, or quarterly financial statements for the immediately preceding or prior quarterly accounting period or cumulative quarterly accounting period based on new information that has become available;
- (xxxviii) error: an error arising from the failure to use, or the misuse of, information that was available at the time of the preparation of quarterly financial statements or financial statements, regardless of whether or not the act to be the cause thereof was intentional;
- (xxxix) retrospective application: the application of accounting methods as if new accounting policies had been retrospectively applied since the time of the preparation of financial statements for the previous business year or any prior business year, or quarterly financial statements for the immediately preceding or prior quarterly accounting period or cumulative quarterly accounting period; and
- (xl) restatement: the reflection, in financial statements or quarterly financial statements, of the correction of an error in financial statements for the previous business year or any prior business year or quarterly financial statements for the immediately preceding or prior quarterly accounting period or cumulative quarterly accounting period.

(General Principles for Preparation of Quarterly Financial Statements)

- Article 4 (1) Quarterly financial statements must be prepared in accordance with the accounting principles and procedures adopted for preparing financial statements, in principle.
- (2) The accounting principles and procedures adopted for preparing financial statements for the previous business year and the accounting principles and procedures adopted for preparing quarterly financial statements for the cumulative quarterly accounting period as of the end of the immediately preceding quarterly accounting period or as of the end of the relevant quarterly accounting period must be applied continuously in the current quarterly accounting period, except in cases of making a change based on justifiable grounds.
- (3) The same presentation method of quarterly financial statements must be

applied continuously, except in cases of making a change based on justifiable grounds.

(Quarterly Cash Flow Statements)

- Article 4-2 (1) A company submitting quarterly financial statements must prepare a quarterly cash flow statement for the second cumulative quarterly accounting period (meaning the period from the first day of the business year to the last day of the quarterly accounting period following the first quarterly accounting period of the business year (hereinafter referred to as the "first quarterly accounting period") (hereinafter referred to as the "second quarterly accounting period")).
- (2) A company submitting quarterly financial statements may prepare a quarterly cash flow statement for the first cumulative quarterly accounting period (meaning the period from the first day of the business year to the last day of the first quarterly accounting period; the same applies hereinafter).
- (3) When a company submitting quarterly financial statements prepares a quarterly cash flow statement for the first cumulative quarterly accounting period, the company submitting quarterly financial statements must prepare a quarterly cash flow statement for the third cumulative quarterly accounting period (meaning the period from the first day of the business year to the last day of the quarterly accounting period following the second quarterly accounting period (hereinafter referred to as the "third quarterly accounting period")); the same applies hereinafter).
- (4) Notwithstanding the provisions of the preceding paragraph, when it is difficult in practice to prepare a cash flow statement for the third quarter due to large-scale business combination being carried out in the third quarterly accounting period or other circumstances, preparation of the cash flow statement for the third quarter is not required. In this case, the fact that the cash flow statement for the third quarter cannot be prepared and the reason therefor must be stated in the notes.

(Preparation of Comparative Information)

- Article 4-3 Quarterly financial statements for the current quarterly accounting period and the current cumulative quarterly accounting period must be prepared by including comparative information (matters set forth in the following items as corresponding to matters stated in the quarterly financial statements for the respective categories of quarterly financial statements set forth in those items) as a component of the quarterly financial statements:
- (i) quarterly balance sheet: Matters pertaining to the previous business year;
 - (ii) quarterly profit and loss statement: Matters pertaining to the corresponding quarterly accounting period in the previous business year and

the cumulative quarterly accounting period as of the end thereof; and
(iii) quarterly cash flow statement: Matters pertaining to the corresponding cumulative quarterly accounting period in the previous business year.

(Notes on Changes in Accounting Policies Associated with Revisions, etc. of Accounting Standards, etc.)

Article 5 (1) If material changes have been made to accounting policies in association with the revisions, etc. (meaning revisions, etc. of accounting standards, etc. prescribed in the main clause of Article 8-3, paragraph (1) of the Regulation on Financial Statements; the same applies in the following Article) of accounting standards, etc. (meaning accounting standards, etc. prescribed in the main clause of that paragraph; the same applies hereinafter) (limited to cases where transitional measures related to retrospective application are not provided in the accounting standards, etc.), the following matters must be stated in the notes:

- (i) name of the accounting standards, etc.;
- (ii) the details of the changes in accounting policies; and
- (iii) the effects on the amount of quarterly net profit or loss before taxes in the corresponding cumulative quarterly accounting period in the previous business year and the effects on other material items.

(2) Notwithstanding the provisions of the preceding paragraph, if principle-based treatment pertaining to retrospective application (meaning principle-based treatment pertaining to retrospective application prescribed in the main clause of Article 8-3, paragraph (2) of the Regulation on Financial Statements; the same applies hereinafter) is impossible in practice, the following matters must be stated in the notes:

- (i) name of the accounting standards, etc.;
- (ii) the details of the changes in accounting policies;
- (iii) the effects on the amount of quarterly net profit or loss before taxes and the effects on other material items;
- (iv) the reasons why principle-based treatment pertaining to retrospective application is impossible in practice; and
- (v) method of application of the changes in accounting policies and the date of commencement of application thereof.

(3) If any accounting methods have been applied in accordance with transitional measures related to retrospective application prescribed in accounting standards, etc., and retrospective application has not been performed, the following matters must be stated in the notes:

- (i) name of the accounting standards, etc.;
- (ii) the details of the changes in accounting policies;
- (iii) a statement to the effect that accounting methods were applied in

accordance with the transitional measures and the outline of the transitional measures; and

(iv) the effects on the amount of quarterly net profit or loss before taxes and the effects on other material items.

(4) If it is difficult to calculate the accurate effects prescribed in paragraph (2), item (iii) and item (iv) of the preceding paragraph in a timely manner, an estimated amount obtained may be stated by an appropriate method.

(5) The notes under paragraphs (1) to (3) must be stated in the quarterly accounting periods within the business year pertaining to the quarterly accounting period in which changes in accounting policies were made.

(Notes on Changes in Accounting Policies Based on Justifiable Grounds Other Than Revisions, etc. of Accounting Standards, etc.)

Article 5-2 (1) If material changes in accounting policies have been made based on justifiable grounds other than revisions, etc. of accounting standards, etc. in the first quarterly accounting period, the following matters must be stated in the notes:

(i) the details of the changes in accounting policies;

(ii) the justifiable grounds on which the changes in accounting policies were made; and

(iii) the effects on the amount of quarterly net profit or loss before taxes in the corresponding cumulative quarterly accounting period in the previous business year and the effects on other material items.

(2) If material changes in accounting policies have been made based on justifiable grounds other than revisions, etc. of accounting standards, etc. in or after the second quarterly accounting period, the fact that changes in accounting policies were made in or after the second quarterly accounting period and the justifiable grounds therefor must be stated in the notes in addition to the notes under the preceding paragraph.

(3) Notwithstanding the provisions of the preceding two paragraphs, if principle-based treatment pertaining to retrospective application is impossible in practice, the following matters must be stated in the notes:

(i) the details of the changes in accounting policies;

(ii) the justifiable grounds on which the changes in accounting policies were made;

(iii) the effects on the amount of quarterly net profit or loss before taxes and the effects on other material items;

(iv) the reasons why principle-based treatment pertaining to retrospective application is impossible in practice; and

(v) method of application of the changes in accounting policies and the date of commencement of application thereof.

- (4) If it is difficult to calculate the accurate effects prescribed in item (iii) of the preceding paragraph in a timely manner, an estimated amount may be stated by an appropriate method.
- (5) The notes under paragraphs (1) to (3) must be stated in the notes in the quarterly accounting periods within the business year pertaining to the quarterly accounting period in which changes in accounting policies were made.
- (6) If material changes in accounting policies were made based on justifiable grounds other than revisions, etc. of accounting standards, etc. in or after the second quarterly accounting period of the previous business year, and there is a difference between the accounting policies applied to the comparative information included in the quarterly financial statements for the quarterly accounting period in the current business year and accounting policies applied to the quarterly financial statements for the corresponding quarterly accounting period in the previous business year, a statement to that effect must be set down in the notes.

(Notes on Changes in Accounting Estimates)

- Article 5-3 (1) If material changes in accounting estimates have been made, the following matters must be stated in the notes:
- (i) the details of the changes in accounting estimates; and
 - (ii) the effects on the amount of quarterly net profit or loss before taxes and the effects on other material items.
- (2) If it is difficult to calculate the accurate effects prescribed in item (ii) of the preceding paragraph in a timely manner, an estimated amount may be stated by an appropriate method.
 - (3) The notes under paragraph (1) must be stated in the quarterly accounting periods within the business year pertaining to the quarterly accounting period in which material changes in accounting estimates were made.

(Notes If It Is Difficult to Distinguish Changes in Accounting Policies from Changes in Accounting Estimates)

- Article 5-4 (1) If material changes in accounting policies have been made in the first quarterly accounting period, and it is difficult to distinguish the material changes in accounting policies from changes in accounting estimates, the following matters must be stated in the notes:
- (i) the details of the changes in accounting policies;
 - (ii) the justifiable grounds on which the changes in accounting policies were made; and
 - (iii) the effects on the amount of quarterly net profit or loss before taxes and the effects on other material items.
- (2) If material changes in accounting policies have been made in or after the

second quarterly accounting period, and it is difficult to distinguish the material changes in accounting policies from changes in accounting estimates, the fact that changes in accounting policies were made in or after the second quarterly accounting period and the justifiable grounds therefor must be stated in the notes in addition to the notes under the preceding paragraph.

(3) If it is difficult to calculate the accurate effects prescribed in paragraph (1), item (iii) in a timely manner, an estimated amount may be stated by an appropriate method.

(4) The notes under paragraphs (1) and (2) must be stated in the quarterly accounting periods within the business year pertaining to the quarterly accounting period in which material changes in accounting policies were made.

(Notes on Restatement)

Article 5-5 If a restatement has been made, the following matters must be stated in the notes; provided, however, that notes may be omitted for immaterial matters:

(i) the details of the errors; and

(ii) the effects on the amount of quarterly net profit or loss before taxes in the corresponding cumulative quarterly accounting period in the previous business year and the effects on other material items.

(Notes on Accounting Methods Specific to Preparation of Quarterly Financial Statements)

Article 7 If an accounting method specific to preparation of quarterly financial statements has been applied in accordance with business accounting standards that are generally accepted as fair and appropriate, a statement to that effect and the details thereof must be set down in the notes; provided, however, that the notes may be omitted if they are not material.

(Notes on Material Post-Balance Sheet Events)

Article 8 If any events that exert a material influence on the financial position, operating results and cash flow conditions of a company submitting quarterly financial statements in and/or after the business year containing the quarterly accounting period pertaining to the relevant quarterly financial statements (excluding the cumulative quarterly accounting period as of the end of the relevant quarterly accounting period) occur after the quarterly balance sheet date, the events must be stated in the notes.

(Notes on Financial Instruments)

Article 8-2 (1) For each account title of a quarterly balance sheet concerning financial instruments, if the financial instruments are material for the

operation of business of the company and there has been a substantial fluctuation in the amount reported on the quarterly balance sheet or any other amount as compared to the last day of the previous business year, the amount reported on the quarterly balance sheet, the market price, and the difference between the amount reported on the quarterly balance sheet and the market price, as of the quarterly balance sheet date, and the calculation method for the market price must be stated in the notes for each account title of the quarterly balance sheet; provided, however, that the notes may be omitted if the difference between the amount reported on the quarterly balance sheet and the market price and the difference between the amount reported on the balance sheet for the previous business year and the market price are not material.

- (2) Notwithstanding the provisions of the main clause of the preceding paragraph, if it is difficult to calculate the accurate amount in a timely manner with regard to the market price of financial instruments as of the quarterly balance sheet date for each account title of a quarterly balance sheet, an estimated amount may be stated.
- (3) Notwithstanding the provisions of the main clause of paragraph (1) and the preceding paragraph, if it is extremely difficult to identify the market price as of the quarterly balance sheet date, a statement to that effect, the reason therefor, the outline of the financial instruments, and the amount reported on the quarterly balance sheet may be stated in lieu of the matters specified in the main clause of paragraph (1).

(Notes on Securities)

Article 9 Beyond the matters specified in the preceding Article, with regard to securities (limited to the securities set forth in the following items), if the securities are material for the operation of business of the company and there has been a substantial fluctuation in the amount reported on the quarterly balance sheet or any other amount of the securities as compared to the last day of the previous business year, the matters specified in the following items for the respective categories of securities set forth in those items must be stated in the notes; provided, however, that if it is difficult to calculate the accurate amount in a timely manner, an estimated amount may be stated:

- (i) bonds held to maturity: the following matters:
 - (a) the amount reported on the quarterly balance sheet as of the quarterly balance sheet date;
 - (b) the market price as of the quarterly balance sheet date; and
 - (c) the difference between the amount reported on the quarterly balance sheet and the market price as of the quarterly balance sheet date; and
- (ii) other securities: the following matters for each class of shares, bonds and any other securities:

- (a) the acquisition cost;
- (b) the amount reported on the quarterly balance sheet as of the quarterly balance sheet date; and
- (c) the difference between the amount reported on the quarterly balance sheet as of the quarterly balance sheet date and the acquisition cost.

(Notes on Derivative Transactions)

- Article 10 (1) Beyond the matters specified in Article 8-2, with regard to derivative transactions (those to which hedge accounting is applied may be excluded), if the transactions are material for the operation of business of the company and there has been a substantial fluctuation in the contract amount or any other amount of the transactions as compared to the last day of the previous business year, the contract amount or the principal equivalent amount specified in the contract, the market price, and valuation gain or loss as of the quarterly balance sheet date must be stated in the notes, by type of currencies, money rates, shares, bonds, commodities and any other subject matter of transactions; provided, however, that if it is difficult to calculate the accurate amount in a timely manner, an estimated amount may be stated.
- (2) The matters specified in the preceding paragraph must be stated by categorizing them into futures transactions, options transactions, forward transactions, swap transactions and any other derivative transactions, or any other types of transactions.

(Special Provisions for Notes on Financial Instruments)

Article 10-2 Notwithstanding the provisions of Article 8-2, Article 9 and Article 10, paragraph (1), a company submitting financial statements (excluding cases in which financial assets account for the majority of all assets and financial liabilities and liabilities arising from insurance contracts account for the majority of all liabilities) may omit notes under these provisions in the first quarterly accounting period and the third quarterly accounting period.

(Application of Tax Effect Accounting)

Article 11 With regard to corporation tax and any other taxes that are imposed on amounts related to profits as the tax base (hereinafter referred to as "corporation tax, etc."), quarterly financial statements must be prepared by applying tax effect accounting (meaning an accounting method which, if there are differences between the amounts of assets and liabilities reported on the quarterly balance sheet and the amounts of assets and liabilities derived as a result of calculating the taxable income, reasonably matches the amount of quarterly net profit before deducting the corporation tax, etc. with the applicable amount of corporation tax, etc. through appropriate interperiod

allocation of the amount of corporation tax, etc. pertaining to the differences; the same applies hereinafter).

(Notes on Profit or Loss under the Equity Method)

Article 12 If there is any affiliated company (meaning an entity that is regarded as an affiliated company of a company submitting quarterly consolidated financial statements pursuant to the provisions of Article 8, paragraphs (5) and (6) of the Regulation on Financial Statements; hereinafter the same applies in this paragraph), the amount of investment in the affiliated company, the amount of investment in the case where the equity method (meaning the method defined in Article 2, item (viii) of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Order of the Ministry of Finance No. 28 of 1976)) is applied to the investment, and the amount of investment return or investment loss must be stated in the notes; provided, however, that any affiliated company that is not material in terms of the profit or loss and the retained earnings and any other items may be excluded.

(Notes If Business Combinations through Acquisition Are Implemented)

Article 15 (1) If a business combination has been carried out during the current quarterly accounting period (excluding the cases specified in paragraph (1) of the following Article), the following matters must be stated in the notes; provided, however, that the notes may be omitted if the transaction pertaining to the business combination is not material:

- (i) the outline of the business combination;
- (ii) the period of performance of the acquired enterprise or the acquired business included in the quarterly profit and loss statements for the cumulative quarterly accounting period;
- (iii) the acquisition cost for the acquired enterprise or the acquired business, and the breakdown by type of consideration;
- (iv) if shares have been delivered as the consideration for acquisition, the exchange ratio and the calculation method thereof, and the number of shares delivered or to be delivered by class of shares;
- (v) the amount of goodwill that occurred, the cause for the occurrence, the amortization method, and the amortization period, or the amount of gain from negative goodwill and the cause for the occurrence; and
- (vi) if the amount of goodwill that occurred or the amount of gain from negative goodwill set forth in the preceding item is a provisionally calculated amount, a statement to that effect.

(2) Notwithstanding the provisions of the proviso to the preceding paragraph, if, the transactions pertaining to individual business combinations during the

current quarterly accounting period are not material, but the transactions pertaining to multiple business combinations during the current quarterly accounting period are material as a whole, the matters set forth in item (i) and items (iii) to (vi) of that paragraph must be stated in the notes for the transactions pertaining to the business combinations as a whole.

- (3) In the quarterly accounting period in which a provisional accounting method pertaining to business combinations that had been carried out by the quarterly balance sheet date was determined, a statement to the effect that the method was determined, as well as the details and amounts of the review pertaining to the amount of goodwill that occurred set forth in paragraph (1), item (v) or the amount of gain from negative goodwill must be stated in the notes; provided, however, that if notes are omitted pursuant to the provisions of the proviso to paragraph (1), they are not required to be stated in the notes.
- (4) If a material review has been reflected in the initially allocated amounts of the acquisition costs in the comparative information included in the quarterly financial statements in line with the determination of the provisional accounting method set forth in the preceding paragraph, the details and amounts of the review must be stated in the notes.

(Notes If Business Combinations Resulting in Reverse Acquisition Are Implemented)

Article 16 (1) If a business combination resulting in reverse acquisition has been carried out during the current quarterly accounting period, the matters equivalent to the matters set forth in paragraph (1), items (i) to (vi) of the preceding Article and the amount of influence that would be exerted on the quarterly balance sheet and the quarterly profit and loss statement if the purchase method is assumed to have been applied to the business combination must be stated in the notes.

- (2) If the notes have been made pursuant to the provisions of the preceding paragraph, the notes must continue to be made in and after the quarterly accounting period following the quarterly accounting period in which the business combination was carried out unless the estimated amount of influence is not material.
- (3) Notwithstanding the provisions of the preceding two paragraphs, in business combinations set forth in Article 8-18, paragraph (3), item (ii) or (iii) of the Regulation on Financial Statements, the notes are not required to be stated when the enterprise specified in item (ii) or (iii) of that paragraph prepares consolidated financial statements; in this case, a statement to that effect must be set down in the notes.

(Notes on Common Control Transaction, etc.)

Article 17 (1) If a common control transaction, etc. has been carried out during the current quarterly accounting period, the following matters must be stated in the notes:

- (i) the outline of the transaction;
- (ii) the outline of the accounting implemented; and
- (iii) in the case of having additionally acquired subsidiary company shares, the matters equivalent to those set forth in Article 15, paragraph (1), items (iii) and (iv).

(2) Notwithstanding the provisions of the preceding paragraph, the notes may be omitted if the common control transaction, etc. is not material; provided, however, that if, individual common control transactions, etc. during the current quarterly accounting period are not material, the multiple common control transactions, etc. during the current quarterly accounting period are material as a whole, the matters set forth in the items of that paragraph must be stated in the notes for the transactions pertaining to the business combinations as a whole.

(3) If a subsidiary company (meaning the subsidiary company defined in Article 8, paragraph (3) of the Regulation on Financial Statements; hereinafter the same applies in this paragraph) has absorbed its parent company (meaning the parent company defined in that paragraph; hereinafter the same applies in this paragraph) through an absorption-type merger, if the subsidiary company does not prepare quarterly consolidated financial statements, the estimated amount of influence that would have been exerted on the quarterly balance sheet and the quarterly profit and loss statement for the cumulative quarterly accounting period as of the end of the current quarterly accounting period in the case of assuming that the parent company has absorbed the subsidiary company through an absorption-type merger must be stated in the notes.

(4) (2) If the notes have been made pursuant to the provisions of the preceding paragraph, the notes must be made in and after the quarterly accounting period following the quarterly accounting period in which the business combination was carried out unless the estimated amount of influence is not material.

(Notes on Formation of Jointly Controlled Enterprises)

Article 18 (1) If a formation of a jointly controlled enterprise (meaning a formation of a jointly controlled enterprise defined in Article 8-22, paragraph (1) of the Regulation on Financial Statements; hereinafter the same applies in this Article and paragraph (1) of the following Article) has been carried out during the current quarterly accounting period, the matters equivalent to those set forth in items (i) and (ii) of paragraph (1) of the preceding Article must be stated. In this case, if the matters equivalent to the matters set forth in item

- (i) of that paragraph are stated, the reason for determining the business combination to be a formation of a jointly controlled enterprise must be stated.
- (2) Notwithstanding the provisions of the preceding paragraph, the notes may be omitted if the transaction pertaining to the formation of a jointly controlled enterprise is not material; provided, however, that if, the transactions pertaining to individual formations of a jointly controlled enterprise during the current quarterly accounting period are not material, but the transactions pertaining to multiple formations of a jointly controlled enterprise during the quarterly accounting period are material as a whole, the matters set forth in that paragraph must be stated in the notes for the transactions pertaining to the business combinations as a whole.

(Notes by Divesting Enterprise in Business Divestitures)

Article 19 (1) If a material business divestiture has been carried out during the current quarterly accounting period, and the business divestiture is neither categorized as a common control transaction, etc. nor formation of a jointly controlled enterprise, the divesting enterprise must state the following matters in the notes:

- (i) the outline of the business divestiture;
 - (ii) the matters specified in (a) or (b) as the outline of the accounting implemented:
 - (a) in the case of having recognized any gain or loss on transfer, the amount thereof, the fair book values of the assets and liabilities pertaining to the transferred business, and the major breakdown thereof; or
 - (b) in the case of not having recognized any gain or loss on transfer, a statement to that effect, the type of consideration received, the fair book values of the assets and liabilities pertaining to the transferred business, and the major breakdown thereof;
 - (iii) the name of the reporting segment (meaning a reporting segment prescribed in Article 22-3, paragraph (1)) in which the divested business was included;
 - (iv) the estimated amount of profit or loss pertaining to the divested business, which is reported on the quarterly profit and loss statement for the cumulative quarterly accounting period; and
 - (v) if, for a business divestiture for which a gain or loss on transfer has been recognized, there is any continuing involvement other than holding divested enterprise shares as subsidiary company shares or affiliated company shares, the outline of the continuing involvement.
- (2) The notes may be omitted for the matters set forth in item (v) of the preceding paragraph if the continuing involvement is insignificant.
- (3) If, the transactions pertaining to individual business divestitures during the

current quarterly accounting period are not material, but the transactions pertaining to multiple business divestitures during the current quarterly accounting period are material as a whole, the matters set forth in items (i) and (ii) of that paragraph must, notwithstanding the provisions of paragraph (1), be stated in the notes for the transactions pertaining to business divestitures as a whole.

(Notes by Divested Enterprise in Business Divestitures)

Article 20 If a business divestiture is not categorized as a business combination, the divested enterprise must state the following matters in the notes:

- (i) the outline of the transaction;
- (ii) the outline of the accounting implemented; and
- (iii) the breakdown of the assets, liabilities and net assets succeeded from the divesting enterprise.

(Notes on Going Concern Assumption)

Article 21 If, as of the quarterly balance sheet date, there is an event or circumstance that would raise material doubt about an assumption that the company will stay in business in the future (hereinafter referred to as the "going concern assumption"), material uncertainty on the going concern assumption is still recognized even after measures for eliminating or improving the event or circumstance are taken, the following matters must be stated in the notes; provided, however, that if the material uncertainty ceases to be recognized after the quarterly balance sheet date, they are not required to be stated:

- (i) a statement to the effect that the event or circumstance exists, and details thereof;
- (ii) the response measures for eliminating or improving the event or circumstance;
- (iii) a statement to the effect that the material uncertainty is recognized and the reason therefor; and
- (iv) whether or not the influence of the material uncertainty is reflected in the quarterly financial statements.

(Notes on Additional Information)

Article 22 Beyond the notes particularly specified under this Regulation, if there are any matters that are found to be necessary for persons interested in the company submitting quarterly financial statements to make adequate judgments on the financial position, operating results and cash flow conditions of the company for the business year containing the quarterly accounting period pertaining to the quarterly financial statements, the matters must be

stated in the notes.

(Notes on Segment Information)

Article 22-2 (1) With regard to information on a certain unit of an enterprise (hereinafter referred to as a "reporting segment") (the information is hereinafter referred to as "segment information"), the following matters must be set down in the notes in accordance with Form No. 1:

- (i) the amounts of the net sales and profit or loss for each reporting segment;
 - (ii) the difference between the total amount of profits or losses set forth in the preceding item and the amount reported on the quarterly profit and loss statement for each accounting title equivalent to the item and the main contents of the difference; and
 - (iii) the outline of the event that served as the cause for fluctuations in the amount of assets for each reporting segment (limited to cases where a substantial fluctuation is found as compared to the last day of the previous business year).
- (2) If there has been any change in reporting segments or any material change in the calculation method of an amount of profit or loss pertaining to reporting segments (referred to as the "calculation method pertaining to reporting segments" in the following paragraph and paragraph (4)) during the current quarterly accounting period (including any quarterly accounting periods within the relevant business year prior to the current quarterly accounting period), the contents thereof must be stated in the notes.
- (3) If there has been any change in reporting segments or any material change in the calculation method pertaining to reporting segments in or after the second quarterly accounting period of the relevant business year, a statement to the effect that the change was made in or after the second quarterly accounting period and the reason therefor must be set down in the notes, in addition to the notes under the preceding paragraph.
- (4) If there has been any change in reporting segments or any material change in the calculation method pertaining to reporting segments during the previous business year and any difference is observed between the reporting segments or the calculation method pertaining to reporting segments during the corresponding quarterly accounting period in the previous business year and those matters during the current quarterly accounting period, a statement to that effect and the amounts set forth in paragraph (1), items (i) and (ii) pertaining to the corresponding cumulative quarterly accounting period in the previous business year (limited to the amounts calculated on the basis of the reporting segments and the calculation method pertaining to reporting segments during the current quarterly accounting period) must be stated in the notes.

- (5) If, in the cases set forth in the preceding paragraph, it is difficult to calculate an accurate amount, an estimated amount may be noted by an appropriate method in lieu of the amount prescribed in that paragraph; provided, however, that if it is difficult to calculate an amount, a statement to that effect and the reason therefor may be stated in lieu of the amount prescribed in that paragraph.
- (6) If a material impairment loss pertaining to fixed assets has been recognized, where there has been a material change in the amount of goodwill or where a material gain from negative goodwill has been recognized during the current quarterly accounting period, the outline thereof must be stated in the notes for each reporting segment.

(Notes If Quarterly Cash Flow Statement Is Not Prepared)

Article 22-3 If no quarterly cash flow statement for the first cumulative quarterly accounting period or the third cumulative quarterly accounting period is prepared, the following matters must be stated in the notes; provided, however, that notes may be omitted for immaterial matters:

- (i) depreciation expenses (including amortization expenses pertaining to intangible fixed assets excluding goodwill) pertaining to the current cumulative quarterly accounting period; and
- (ii) amortization expenses of goodwill pertaining to the current cumulative quarterly accounting period.

(Noting Methods)

Article 23 (1) The notes under Article 5 to Article 5-5 and Article 7 must be stated immediately after the quarterly cash flow statement; provided, however, that if no quarterly cash flow statement for the first cumulative quarterly accounting period or the third cumulative quarterly accounting period is prepared, the notes must be stated immediately after the quarterly profit and loss statement for the first cumulative quarterly accounting period and the third cumulative quarterly accounting period (when a quarterly profit and loss statement for the third quarterly accounting period is prepared, the quarterly profit and loss statement for the third quarterly accounting period).

(2) The notes under this Regulation (excluding Article 5 to Article 5-5 and Article 7) must be stated immediately after the notes under Article 5 to Article 5-5 and Article 7, except for those that are found appropriate to be stated as footnotes (meaning the stating of notes at the end of the table or account statement contained in the quarterly financial statements in which the matters pertaining to the notes are stated; the same applies in Article 87); provided, however, that matters related to the notes under these provisions may be stated together therewith.

- (3) Notwithstanding the provisions of the preceding paragraph, the notes under Article 21 must be stated immediately after the quarterly cash flow statement; provided, however, that if no quarterly cash flow statement for the first cumulative quarterly accounting period or the third cumulative quarterly accounting period is prepared, the notes must be stated immediately after the quarterly profit and loss statement for the first cumulative quarterly accounting period and the third cumulative quarterly accounting period (when a quarterly profit and loss statement for the third quarterly accounting period is prepared, the quarterly profit and loss statement for the third quarterly accounting period).
- (4) In the cases set forth in the preceding paragraph, notwithstanding the provisions of paragraph (1), the notes under Article 5 to Article 5-5 and Article 7 must be stated immediately after the notes under Article 21.
- (5) In the case of stating notes that are related to a specific account title pursuant to the provisions of this Regulation, the association between the account title and the notes must be made clear by appending a symbol to the account title or by other similar method.

(Units for Presenting Amounts)

Article 24 The amounts for the account titles and any other matters contained in quarterly financial statements are to be presented in units of million yen or thousand yen.

Chapter II Quarterly Balance Sheet

Section 1 General Provisions

(Methods for Presenting Quarterly Balance Sheet)

Article 25 (1) The method for presenting a quarterly balance sheet is to be in accordance with the provisions of this Chapter.

(2) A quarterly balance sheet is to be presented by using Form No. 2.

(Classification into Assets, Liabilities and Net Assets)

Article 26 Assets, liabilities and net assets must be stated by respectively classifying them into the assets section, liabilities section, and net assets section.

(Arrangement of Account Titles)

Article 27 The account titles of assets and liabilities are to be arranged by using the method of current arrangement.

Section 2 Assets

(Classification of Assets)

Article 28 Assets must be stated by classifying them into current assets, fixed assets and deferred assets, and assets categorized as fixed assets must be further classified into tangible fixed assets, intangible fixed assets, investments, and any other assets.

(Scopes of the Respective Classes of Assets)

Article 29 The provisions of Articles 15 to 16-3, 22, 27, 31 to 31-5, and 36 of the Regulation on Financial Statements apply mutatis mutandis to the scopes of current assets, tangible fixed assets, intangible fixed assets, investments and other assets, and deferred assets. In this case, the term "within one year" in Articles 15 to 16-3 of the Regulation on Financial Statements is replaced with "on a day within one year from the day following the quarterly balance sheet date", and the term "company submitting financial statements" in Article 22, item (viii) and Article 27, item (xii) of the Regulation on Financial Statements is replaced with "company submitting quarterly financial statements".

(Classified Presentation of Current Assets)

Article 30 (1) Assets categorized as current assets must be set down under account titles having names that indicate the assets, in accordance with the following classification of items; provided, however, that any assets categorized under the items of which the amounts are not more than one percent of the total amount of assets, which are found appropriate to be presented collectively with assets categorized under another item, may be set down collectively under an account title having an appropriate name:

- (i) cash and deposits;
- (ii) negotiable instruments receivable and accounts receivable;
- (iii) securities;
- (iv) merchandise and manufactured goods (including semi-finished goods);
- (v) work in progress;
- (vi) raw materials and supplies; and
- (vii) others.

(2) Where assets categorized under any of the items set forth in the items of the preceding paragraph are found appropriate to be presented separately, the provisions of that paragraph do not preclude one from separately setting down the assets under an account title having a name that indicates the assets.

(3) Among the assets categorized under the item set forth in paragraph (1), item (vii), any asset of which the amount exceeds ten percent of the total amount of assets or any asset of which the amount is not more than ten percent of the total amount of assets but is found appropriate to be presented separately

must be set down separately under an account title having a name that indicates the asset.

- (4) Notwithstanding the provisions of the main clause of paragraph (1), assets categorized under the items set forth in items (iv) to (vi) of the same paragraph may be set down collectively under the account title of inventory assets. In this case, the account titles of the assets categorized under the same items and the amounts thereof must be stated in the notes.
- (5) Notwithstanding the provisions of the second sentence of the preceding paragraph, the notes under the second sentence of that paragraph may be omitted in the first quarterly accounting period and the third quarterly accounting period.

(Presentation of Allowances Pertaining to Current Asset)

Article 31 The provisions of Article 20 (excluding paragraph (3)) of the Regulation on Financial Statements apply mutatis mutandis to allowances pertaining to assets categorized as current assets.

(Classified Presentation of Tangible Fixed Assets)

Article 32 (1) Assets categorized as tangible fixed assets are to be set down collectively under an account title having a name that indicates tangible fixed assets; provided, however, that this does not preclude one from classifying assets categorized as tangible fixed assets into an item that is found to be appropriate, and setting it down under an account title having a name that indicates the assets.

- (2) Notwithstanding the provisions of the preceding paragraph, if assets categorized as tangible fixed assets include any asset of which the amount exceeds ten percent of the total amount of assets or if the amount of any asset is not more than ten percent of the total amount of assets but is found appropriate to be presented separately, the asset must be separated from other tangible fixed assets and must be set down under an account title having a name that indicates each of the assets.

(Presentation of the Amounts of Accumulated Depreciation for Tangible Fixed Assets)

Article 33 The amounts of accumulated depreciation for tangible fixed assets must be set down or presented by any of the following methods:

- (i) by setting down the amounts under account titles for accumulated depreciation, as the contra-asset account titles corresponding to tangible fixed assets or asset account titles;
- (ii) by setting down the amounts collectively as a contra-asset account title corresponding to asset account titles; or

(iii) by directly deducting the amounts from the amounts of tangible fixed assets or assets, and presenting the balances after the deduction as the amounts of each of the tangible fixed assets or assets.

(Presentation of the Amounts of Accumulated Impairment Loss)

Article 34 The provisions of Article 26-2 (excluding paragraphs (4) and (5)) of the Regulation on Financial Statements apply mutatis mutandis to the amounts of accumulated impairment loss for tangible fixed assets.

(Classified Presentation of Intangible Fixed Assets)

Article 35 (1) Assets categorized as intangible fixed assets are to be collectively set down under an account title having a name that indicates intangible fixed assets; provided, however, that this does not preclude one from classifying assets categorized as intangible fixed assets into an item that is found to be appropriate, and setting it down under an account title having a name that indicates the assets.

(2) The provisions of Article 32, paragraph (2) apply mutatis mutandis to intangible fixed assets.

(Presentation of the Amounts of Accumulated Amortization for Intangible Fixed Assets)

Article 36 The provisions of Article 30 of the Regulation on Financial Statements apply mutatis mutandis to the amounts of accumulated amortization and the amounts of accumulated impairment loss for intangible fixed assets.

(Classified Presentation of Investments and Other Assets)

Article 37 (1) Assets categorized as investments and other assets are to be collectively set down under an account title having a name that indicates investments and other assets; provided, however, that this does not preclude one from classifying assets categorized as investments and other assets into an item that is found to be appropriate, and setting it down under an account title having a name that indicates the assets.

(2) The provisions of Article 32, paragraph (2) apply mutatis mutandis to investments and other assets.

(Presentation of Allowances Pertaining to Investments and Other Assets)

Article 38 The provisions of Article 20 (excluding paragraph (3)) of the Regulation on Financial Statements as applied mutatis mutandis pursuant to Article 34 of that Regulation apply mutatis mutandis to allowances pertaining to assets categorized as investments and other assets.

(Classified Presentation of Deferred Assets)

Article 39 (1) Assets categorized as deferred assets are to be collectively set down under an account title having a name that indicates deferred assets; provided, however, that this does not preclude one from classifying assets categorized as deferred assets into an item that is found to be appropriate, and setting it down under an account title having a name that indicates the assets.

(2) The provisions of Article 32, paragraph (2) apply mutatis mutandis to deferred assets.

(Presentation of the Amounts of Accumulated Amortization for Deferred Assets)

Article 40 The provisions of Article 38 of the Regulation on Financial Statements apply mutatis mutandis to the amounts of accumulated amortization for deferred assets.

Section 3 Liabilities

(Classification of Liabilities)

Article 42 Liabilities must be stated by classifying them into current liabilities and fixed liabilities.

(Scopes of the Respective Classes of Liabilities)

Article 43 The provisions of Articles 47 to 48-4 and 51 to 51-5 of the Regulation on Financial Statements apply mutatis mutandis to the scopes of current liabilities and fixed liabilities. In this case, the term "within one year" in Articles 47 and 48-2 to 48-4 of the Regulation on Financial Statements is replaced with "on a day within one year from the day following the quarterly balance sheet date".

(Classified Presentation of Current Liabilities)

Article 44 (1) Liabilities categorized as current liabilities must be set down under account titles having names that indicate the liabilities, in accordance with the following classification of items; provided, however, that any liabilities categorized under items other than that set forth in item (iv) of which the amounts are not more than one percent of the combined total of liabilities and net assets, which are found appropriate to be presented collectively with liabilities categorized under another item, may be set down collectively under an account title having an appropriate name:

- (i) negotiable instruments payable and accounts payable;
- (ii) short-term borrowings (including finance negotiable instruments and overdrafts, but excluding short-term borrowings from shareholders, officers,

- or workers);
 - (iii) accrued corporation tax, etc.;
 - (iv) allowances;
 - (v) asset retirement obligations; and
 - (vi) others.
- (2) Where liabilities categorized under any of the items set forth in the items of the preceding paragraph are found appropriate to be presented separately, the provisions of that paragraph do not preclude one from separately setting down the liabilities under an account title having a name that indicates the liabilities.
- (3) If the allowances set forth in paragraph (1), item (iv) include any allowance of which the amount exceeds one percent of the combined total of liabilities and net assets, the allowance must be separately set down under an account title having a name that indicates the purpose of establishment of the allowance.
- (4) Among the liabilities categorized under the item set forth in paragraph (1), item (vi), any liability of which the amount exceeds ten percent of the combined total of liabilities and net assets or any liability of which the amount is not more than ten percent of the combined total of liabilities and net assets but are found appropriate to be presented separately must be set down under an account title having a name that indicates the liability.

(Classified Presentation of Fixed Liabilities)

Article 45 (1) Liabilities categorized as fixed liabilities must be set down under account titles having names that indicate the liabilities, in accordance with the following classification of items; provided, however, that any liabilities categorized under items other than that set forth in item (iii) of which the amounts are not more than one percent of the combined total of liabilities and net assets, which are found appropriate to be presented collectively with liabilities categorized under another item, may be set down collectively under an account title having an appropriate name:

- (i) company bonds;
 - (ii) long-term borrowings (including finance negotiable instruments, but excluding long-term borrowings from shareholders, officers, or workers);
 - (iii) allowances;
 - (iv) asset retirement obligations; and
 - (v) others.
- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to cases under the preceding paragraph.
- (3) The provisions of paragraph (3) of the preceding Article apply mutatis mutandis to the allowances set forth in paragraph (1), item (iii).
- (4) The provisions of paragraph (4) of the preceding Article apply mutatis

mutandis to liabilities categorized under the item set forth in paragraph (1), item (v).

(Notes on Contingent Liabilities)

Article 46 The provisions of Article 58 of the Regulation on Financial Statements apply mutatis mutandis to contingent liabilities (meaning guarantee of debts (including acts that have the same effect as guarantee of debts), obligations for compensation pertaining to contentious cases, and other liabilities that have not arisen in reality but may be borne by the business in the future).

(Presentation of Inventory Assets and Reserve for Loss on Construction Contracts)

Article 47 Inventory assets and reserve for loss on construction contracts pertaining to a single construction contract, if any, must be presented by either of the following methods:

- (i) by presenting inventory assets and reserve for loss on construction contracts under current assets and current liabilities, respectively; or
- (ii) by presenting the amount of difference obtained by offsetting inventory assets against reserve for loss on construction contracts under current assets or current liabilities.

Section 4 Net Assets

(Classification of Net Assets)

Article 48 Net assets must be stated by classifying them into shareholders' equity, valuation and translation adjustments, and share options.

(Classification and Classified Presentation of Shareholders' Equity)

Article 49 (1) Shareholders' equity must be classified into stated capital, capital surplus, and retained earnings, and must be set down under the account titles of stated capital, capital surplus, and retained earnings respectively.

- (2) The provisions of Article 61 of the Regulation on Financial Statements apply mutatis mutandis to stated capital.
- (3) The provisions of Article 62, paragraph (1) of the Regulation on Financial Statements apply mutatis mutandis to a deposit for subscriptions to shares as after the application date.
- (4) The provisions of Article 66 of the Regulation on Financial Statements apply mutatis mutandis to treasury shares.
- (5) The provisions of Article 66-2 of the Regulation on Financial Statements apply mutatis mutandis to a deposit for subscriptions to treasury shares.

(Classification and Classified Presentation of Valuation and Translation Adjustments)

Article 50 The provisions of Article 67 of the Regulation on Financial Statements apply mutatis mutandis to valuation and translation adjustments.

(Presentation of Share Options)

Article 51 The provisions of Article 68 of the Regulation on Financial Statements apply mutatis mutandis to share options.

Section 5 Miscellaneous Provisions

(Reserves, etc. under Special Law)

Article 53 (1) Reserves or allowances that must be reported under the name of reserves or allowances pursuant to the provisions of laws and regulations and that are inappropriate to be reported in the assets section or the liabilities section (hereinafter referred to as "reserves, etc." in the following paragraph and Article 71) must be stated under a separate class that has been added immediately after fixed liabilities, notwithstanding the provisions of Articles 27 and 42.

(2) Reserves, etc. set forth in the preceding paragraph must be set down under an account title having a name that indicates the purpose of establishment of the reserves, etc.

(Statement of Assets and Liabilities of Listed Businesses)

Article 54 (1) If a company engaged in a business set forth in the appended list of the Regulation on Financial Statements (hereinafter referred to as a "listed business") prepares a quarterly balance sheet, and it is found inappropriate to state its assets and liabilities pursuant to this Regulation, the company engaged in the listed business may state its assets and liabilities in an equivalent manner as under the provisions of laws and regulations, or rules (meaning the laws and regulations, or rules prescribed in Article 2 of the Regulation on Financial Statements; the same applies hereinafter) applicable to its financial statements.

(2) In the cases set forth in the preceding paragraph, the standards for setting down the account titles of assets and liabilities collectively or separately are to be equivalent to those provided under this Regulation.

(Statement of Net Assets of Designated Corporations)

Article 55 If a designated corporation prepares a quarterly balance sheet, and it is found inappropriate to state its net assets pursuant to this Regulation, the designated corporation may state its net assets in an equivalent manner as

under the provisions of laws and regulations, or rules applicable to its financial statements. In this case, the governing laws and regulations, or rules must be stated in the notes.

Chapter III Quarterly Profit and Loss Statement

Section 1 General Provisions

(Methods for Presenting Quarterly Profit and Loss Statements)

Article 56 (1) The method for presenting a quarterly profit and loss statement is to be in accordance with the provisions of this Chapter.

(2) The quarterly profit and loss statement for the cumulative quarterly accounting period is to be presented by using Form No. 3.

(3) A company submitting quarterly financial statements may prepare a quarterly profit and loss statement for the second quarterly accounting period. In this case, the quarterly profit and loss statement is to be presented by using Form No. 4.

(4) When a company submitting quarterly financial statements prepares a quarterly profit and loss statement for the second quarterly accounting period, the company submitting quarterly financial statements must prepare a quarterly profit and loss statement for the third quarterly accounting period. In this case, the quarterly profit and loss statement is to be presented by using Form No. 4.

(Classification of Revenues and Expenses)

Article 57 Revenues and expenses must be stated by classifying them into account titles having names that indicate the following items:

- (i) net sales (including revenues from service operations; the same applies hereinafter);
- (ii) cost of sales (including service costs; the same applies hereinafter);
- (iii) selling expenses and general and administrative expenses;
- (iv) non-operating revenues;
- (v) non-operating expenses;
- (vi) extraordinary profit; and
- (vii) extraordinary loss.

Section 2 Net Sales and Cost of Sales

(Presentation Methods for Net Sales)

Article 58 Net sales must be set down under an account title having a name that indicates net sales.

(Presentation Methods for the Cost of Sales)

Article 59 The cost of sales must be set down under an account title having a name that indicates the cost of sales.

(Presentation of the Gross Profit or Loss on Sales)

Article 60 The amount of difference between net sales and the cost of sales must be presented as the gross profit on sales or the gross loss on sales.

Section 3 Selling Expenses and General and Administrative Expenses

(Presentation Methods for Selling Expenses and General and Administrative Expense)

Article 61 (1) Selling expenses and general and administrative expenses must be classified into expense items that are found to be appropriate, and be set down under account titles having names that indicate the expenses; provided, however, that this does not preclude one from setting down the expenses under the account title of selling expenses, the account title of general and administrative expenses, or the account title of selling expenses and general and administrative expenses collectively, and stating the major expense items and amounts thereof in the notes.

(2) The major expense items prescribed in the proviso to the preceding paragraph are provision of allowance (excluding the expense items of which the amount is small) and any other expense items of which the amount exceeds 20 percent of the combined total of selling expenses and general and administrative expenses or those of which the amount is not more than 20 percent of the combined total of selling expenses and general and administrative expenses but are found appropriate to be presented separately.

(3) Notwithstanding the provisions of paragraph (1), in the first cumulative quarterly accounting period and the third cumulative quarterly accounting period as well as the quarterly accounting periods, selling expenses and general and administrative expenses may be set down under the account title of selling expenses, the account title of general and administrative expenses, or the account title of selling expenses and general and administrative expenses collectively. In this case, the expense items of selling expenses or general and administrative expenses and the amounts thereof are not required to be stated in the notes.

(Presentation of the Amount of Operating Profit and Loss)

Article 62 The amount obtained by adjusting the gross profit on sales or the gross loss on sales by adding or subtracting the total amount of selling expenses and general and administrative expenses must be stated as the

amount of operating profit or the amount of operating loss.

Section 4 Non-Operating Revenues and Non-Operating Expenses

(Presentation Methods for Non-Operating Revenues)

Article 63 Revenues categorized as non-operating revenues must be set down under account titles having names that indicate the revenues, in accordance with the classification of interest income (excluding interest on securities), dividends income, gain on sales of securities, and others; provided, however, that any revenues of which the amounts are not more than 20 percent of the total amount of non-operating revenues, which are found appropriate to be presented collectively, may be set down under an account title having a name that collectively indicates the revenues.

(Presentation Methods for Non-Operating Expenses)

Article 64 Expenses categorized as non-operating expenses must be set down under account titles having names that indicate the expenses, in accordance with the classification of interest expenses (including interest on company bonds), loss on sales of securities, and others; provided, however, that any expenses of which the amounts are not more than 20 percent of the total amount of non-operating expenses, which are found appropriate to be presented collectively, may be set down under an account title having a name that collectively indicates the expenses.

(Presentation of the Amount of Ordinary Profit and Loss)

Article 65 The amount obtained by adjusting the amount of operating profit or the amount of operating loss by adding or subtracting the total amount of non-operating revenues or the total amount of non-operating expenses must be stated as the amount of ordinary profit or the amount of ordinary loss.

Section 5 Extraordinary Profit and Extraordinary Loss

(Presentation Methods for Extraordinary Profit)

Article 66 Profits categorized as extraordinary profit must be set down under account titles having names that indicate the profits, in accordance with the classification of gain on sales of fixed assets, gain from negative goodwill and others; provided, however, that any profits of which the amounts are not more than 20 percent of the total amount of extraordinary profit, which are found appropriate to be presented collectively, may be set down under an account title having a name that collectively indicates the profits.

(Presentation Methods for Extraordinary Loss)

Article 67 Losses categorized as extraordinary loss must be set down under account titles having names that indicate the losses, in accordance with the classification of loss on sales of fixed assets, impairment loss, loss on disaster, and others; provided, however, that any losses of which the amounts are not more than 20 percent of the total amount of extraordinary loss, which are found appropriate to be presented collectively, may be set down under an account title having a name that collectively indicates the losses.

(Presentation of the Amount of Quarterly Net Profit or Loss before Taxes)

Article 68 The amount obtained by adjusting the amount of ordinary profit or the amount of ordinary loss by adding or subtracting the total amount of extraordinary profit or the total amount of extraordinary loss must be presented as the amount of quarterly net profit before taxes or the amount of quarterly net loss before taxes.

Section 6 Quarterly Net Profit or Quarterly Net Loss

(Quarterly Net Profit or Quarterly Net Loss)

Article 69 (1) The amounts of the items set forth in the following items must be stated under account titles having names that indicate the contents thereof, immediately after the amount of quarterly net profit before taxes or the amount of quarterly net loss before taxes:

- (i) the corporation tax, inhabitants tax, and enterprise tax (meaning the enterprise tax imposed on amounts related to profits as the tax base; the same applies in the following item) pertaining to the current cumulative quarterly accounting period; and
- (ii) the deferred corporation tax, etc. (meaning adjustments on the corporation tax, inhabitants tax, and enterprise tax set forth in the preceding item, which are reported through application of tax effect accounting).

- (2) Notwithstanding the provisions of the preceding paragraph, the items set forth in the items of that paragraph may be stated collectively.
- (3) The amount obtained by adjusting the amount of quarterly net profit before taxes or the amount of quarterly net loss before taxes by adding or subtracting the amounts of the items set forth in paragraph (1) or the preceding paragraph must be stated as the amount of quarterly net profit or the amount of quarterly net loss.
- (4) If there are taxes paid or taxed refunded due to correction, determination, etc. of corporation tax, etc., they are to be stated under an account title having a name that indicates the contents thereof, immediately after the item set forth in paragraph (1), item (i); provided, however, that amounts may be presented

by including them in the amount of the item set forth in paragraph (1), item (i) if those amounts are not material.

(Notes on the Per Share Amount of Quarterly Net Profit or Loss)

Article 70 (1) The per share amount of quarterly net profit or per share amount of quarterly net loss for the current cumulative quarterly accounting period, and the basis for calculation thereof must be stated in the notes.

(2) If any reverse share splits or share splits has been carried out after the current quarterly accounting period or the quarterly balance sheet date, the following matters must be stated in the notes, beyond the matters prescribed in the preceding paragraph:

(i) the fact that a reverse share splits or a share splits has been carried out; and

(ii) the fact that the per share amount of quarterly net profit or per share amount of quarterly net loss was calculated by supposing that the reverse share splits or the share splits had been carried out at the beginning of the previous business year.

(Notes on Diluted Per Share Amount of Quarterly Net Profit)

Article 70-2 (1) The diluted per share amount of quarterly net profit (meaning per share amount of quarterly net profit calculated by supposing exercise of rights pertaining to any rights to acquire common shares, rights to request conversion into common shares, or securities or contracts attaching other rights equivalent thereto (hereinafter referred to as "potential shares"); hereinafter the same applies in this Article) pertaining to the current cumulative quarterly accounting period, and the basis for calculation thereof must be stated immediately after the notes under the preceding Article.

(2) If any reverse share splits or share splits has been carried out after the current quarterly accounting period or the quarterly balance sheet date, the following matters must be stated in the notes, beyond the matters prescribed in the preceding paragraph:

(i) the fact that a reverse share splits or a share splits has been carried out; and

(ii) the fact that the diluted per share amount of quarterly net profit was calculated by supposing that the reverse share splits or the share splits had been carried out at the beginning of the previous business year.

(3) Notwithstanding the provisions of the preceding two paragraphs, if no potential shares exist, or if the diluted per share amount of quarterly net profit is not less than the per share amount of quarterly net profit or constitutes the per share amount of quarterly net loss, a statement to that effect is to be made, and the diluted per share amount of quarterly net profit is not required to be

stated.

Section 7 Miscellaneous Provisions

(Provision or Reversal of Reserves, etc. under Special Laws)

Article 71 If there has been a provision or reversal of a reserve, etc., the amount of the provision or reversal must be set down as an extraordinary loss or extraordinary profit under an account title having a name that indicates that the amount results from the provision or reversal.

(Notes If There Are Substantial Seasonal Fluctuations in Net Sales or Operating Expenses)

Article 72 If there are substantial seasonal fluctuations in net sale or operating expenses (meaning the combined total of the cost of sales, selling expenses, and general and administrative expenses) due to the nature of the business, the situation of the fluctuations must be stated in the notes of the quarterly profit and loss statement for the cumulative quarterly accounting period.

(Statement of Revenues and Expenses Concerning Listed Businesses)

Article 73 (1) If a company engaged in a listed business prepares a quarterly profit and loss statement, and it is found inappropriate to state its revenues and expenses pursuant to this Regulation, the company engaged in the listed business may state its revenues and expenses in an equivalent manner as under the provisions of laws and regulations, or rules applicable to its financial statements.

(2) In the cases set forth in the preceding paragraph, the standards for setting down the account titles of revenues and expenses collectively or separately are to be equivalent to those provided under this Regulation.

Chapter IV Quarterly Cash Flow Statement

Section 1 General Provisions

(Methods for Presenting Quarterly Cash Flow Statements)

Article 74 (1) The method for presenting a quarterly cash flow statement is to be in accordance with the provisions of this Chapter.

(2) A quarterly cash flow statement is to be presented by using Form No. 5 or Form No. 6.

(Classification for Presenting Quarterly Cash Flow Statements)

Article 75 In a quarterly cash flow statement, cash flow conditions must be stated for the following classes:

- (i) cash flows from operating activities;
- (ii) cash flows from investment activities;
- (iii) cash flows from financing activities;
- (iv) translation adjustments on cash and cash equivalents;
- (v) increase or decrease in cash and cash equivalents;
- (vi) the beginning balances of cash and cash equivalents; and
- (vii) the balances of cash and cash equivalents at the end of the quarter.

Section 2 Methods for Presenting Quarterly Cash Flow Statements

(Presentation Methods for Cash Flows from Operating Activities)

Article 76 The provisions of Articles 113 to 118 of the Regulation on Financial Statements apply mutatis mutandis to the method for presenting a quarterly cash flow statement. In this case, the phrase "the amount of net profit for the period before taxes or the amount of net loss for the period before taxes" in Article 113, item (ii) of the Regulation on Financial Statements is replaced with "the amount of quarterly net profit before taxes or the amount of quarterly net loss before taxes", and the term "profit and loss statement" in (a) and (c) of that item is replaced with "quarterly profit and loss statement".

(Matters to Be Stated in Notes in Quarterly Cash Flow Statements)

Article 77 In a quarterly cash flow statement, the relationship between the balances of cash and cash equivalents at the end of the quarter and the amounts for the account titles set down in the quarterly balance sheet must be stated in the notes.

Chapter V Notes on Shareholders' Equity

(Notes on Dividends)

Article 81 With regard to the dividends during the cumulative quarterly accounting period as of the end of the current quarterly accounting period, the following matters must be stated in the notes:

- (i) if the dividend property is money, the total amount of dividend, the amount of dividend per share, the reference date, and the effective date for each class of shares;
- (ii) if the dividend property is property other than money, the type and the book value of the dividend property, the amount of dividend per share, the reference date, and the effective date for each class of shares; and
- (iii) with regard to a dividend of which the reference date is contained in the period from the day of commencement of the current business year to the end of the current quarterly accounting period and of which the effective date

will be after the last day of the current quarterly accounting period, the matters equivalent to those set forth in the preceding two items.

(Notes If There Are Substantial Changes in the Amount of Shareholders' Equity)

Article 82 If there is a substantial change in the amount of shareholders' equity as compared to the end of the previous business year, the major cause of the change must be stated in the notes.

Chapter VI Quarterly Financial Statements of Specified Companies Complying with Designated International Accounting Standards

(Standards for Preparation of Quarterly Financial Statements of Specified Companies Complying with Designated International Accounting Standards)

Article 83 (1) The terminology, forms, and preparation methods of quarterly financial statements that a specified company complying with designated international accounting standards submits are subject to the provisions of the preceding Chapters.

(2) A specified company complying with designated international accounting standards may prepare quarterly financial statements pursuant to Designated International Accounting Standards beyond quarterly financial statements prepared pursuant to the provisions of the preceding paragraph.

(Notes on Special Provisions for Accounting Standards)

Article 84 The following matters must be stated in the notes to quarterly financial statements prepared in accordance with Designated International Accounting Standards:

- (i) a statement to the effect that if the Designated International Accounting Standards are the same as the International Accounting Standards (meaning International Accounting Standards prescribed in Article 93 of the Regulation on Consolidated Financial Statements; hereinafter the same applies in this item and the following item), the quarterly financial statements are prepared in accordance with the International Accounting Standards;
- (ii) a statement to the effect that if the Designated International Accounting Standards are different from the International Accounting Standards, the quarterly financial statements are prepared in accordance with the Designated International Accounting Standards; and
- (iii) a statement to the effect that the company is categorized as a specified company complying with designated international accounting standards and the reason therefor.

Chapter VII Quarterly Financial Documents of Foreign Companies

(Standards for Preparation of Quarterly Financial Documents of Foreign Companies)

- Article 85 (1) If the Commissioner of the Financial Services Agency approves a foreign company to submit the documents on financial calculation disclosed in its home country (including the state or any other region where the company is headquartered; the same applies hereinafter) as quarterly financial documents, on finding no risk of impairing the public interest or protection of investors, the terminology, forms, and preparation methods of the quarterly financial documents are to be, except for matters that were found necessary and instructed by the Commissioner of the Financial Services Agency, the terminology, forms, and preparation methods used in the home country.
- (2) If the documents on financial calculation disclosed in the home country by a foreign company do not qualify as those approved by the Commissioner of the Financial Services Agency based on the provisions of the preceding paragraph, and the Commissioner of the Financial Services Agency approves the foreign company to submit the documents on financial calculation disclosed in an area outside Japan other than its home country as quarterly financial documents, on finding no risk of impairing the public interest or protection of investors, the terminology, forms, and preparation methods of the quarterly financial documents are to be, except for matters that were found necessary and instructed by the Commissioner of the Financial Services Agency, the terminology, forms, and preparation methods used in the area outside Japan other than its home country.
- (3) If the documents on financial calculation disclosed in the home country or any other area outside Japan by a foreign company do not qualify as those approved by the Commissioner of the Financial Services Agency based on the provisions of the preceding two paragraphs, the terminology, forms, and preparation methods of quarterly financial documents to be submitted by the foreign company are to be in accordance with the instructions of the Commissioner of the Financial Services Agency.

(Notes on Accounting Standards)

- Article 86 If any accounting principles and procedures for preparing quarterly financial documents adopted by the foreign company with regard to the quarterly financial documents under the preceding Article differ from accounting principles and procedures for preparing quarterly financial statements in Japan, the contents thereof must be stated in the notes in the quarterly financial documents.

(Presentation Methods)

Article 87 (1) The provisions of Article 4, paragraph (3) and Article 5, paragraph (1), item (ii) apply mutatis mutandis to quarterly financial documents to be submitted by a foreign company.

(2) In cases where any presentation methods for the quarterly financial documents to be submitted by a foreign company differ from presentation methods in Japan, the contents thereof must be stated in the notes in the quarterly financial documents.

(Presentation of Monetary Amounts)

Article 88 If the account titles and any other matters set down in quarterly financial documents to be submitted by a foreign company are presented in monetary amounts in a currency other than Japanese currency, the amounts for major matters are also to be stated in amounts that have been translated into Japanese currency. In this case, the translation standards adopted for the translation into Japanese currency must be stated in the notes in the quarterly financial documents.

(Noting Methods)

Article 89 (1) The notes to be stated pursuant to the provisions of Article 86, Article 87, paragraph (2), and the preceding Article must be stated as footnotes; provided, however, that notes that are found inappropriate to be stated as footnotes may be stated in other appropriate places.

(2) The provisions of Article 23, paragraph (5) apply mutatis mutandis to the case of stating matters in the notes pursuant to the provisions of Article 86 and Article 87, paragraph (2).